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**LOAN NUMBER 7920-CN**

# **Project Agreement**

**(Chongqing Urban Rural Integration Project)**

**between**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**and**

**CHONGQING MUNICIPALITY**

**Dated August 2, 2010**

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## **PROJECT AGREEMENT**

AGREEMENT dated August 2, 2010, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and CHONGQING MUNICIPALITY (“Chongqing” or “Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement (“Loan Agreement”) of the same date between PEOPLE’S REPUBLIC OF CHINA (“Borrower”) and the Bank. The Bank and Chongqing hereby agree as follows:

### **ARTICLE I – GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in Appendix 1 to the Loan Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

### **ARTICLE II – PROJECT**

- 2.01. Chongqing declares its commitment to the objectives of the Project. To this end, Chongqing shall:
  - (a) carry out, and cause the Project Participants and Project Entities to carry out the Project in accordance with the provisions of Article V of the General Conditions; and
  - (b) provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and Chongqing shall otherwise agree, Chongqing shall carry out, and shall cause to be carried out, the Project in accordance with the provisions of the Schedule to this Agreement.

### **ARTICLE III – REPRESENTATIVE; ADDRESSES**

- 3.01. Chongqing’s Representative is its Mayor or a Vice Mayor or such other person or persons as said Mayor or a Vice Mayor shall designate in writing, and Chongqing shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

3.02. The Bank's Address is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. Chongqing's Address is:

Chongqing Project Management Office  
Chongqing Municipal Management Office of  
the World Bank's Capital Utilization  
14/F Sun of Asia Mansion,  
248 Renmin Road, Chongqing, 40015  
People's Republic of China

Facsimile:  
  
86-23-63877822

AGREED at Beijing, People's Republic of China, as of the day and year first  
above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Klaus Rohland  
Authorized Representative

CHONGQING MUNICIPALITY

By /s/ Ma Zhengqi  
Authorized Representative

## SCHEDULE

### Execution of the Project

#### Section I. Implementation Arrangements

##### A. Project Management

1. Chongqing shall maintain, and cause to be maintained, for purposes of carrying out the Project, the following organizations, with terms of reference, staffing and other resources acceptable to the Bank, throughout the period of implementation of the Project:

(a) At the municipal level:

(i) the Municipal Leading Group, headed by a Vice Mayor, responsible for overall organizing, coordinating, providing guidance and overseeing the Project management and operation; and

(ii) the Chongqing Project Management Office (“CPMO”) established under the Municipal Leading Group, responsible for coordinating the preparation activities of city/district/county proposed investments, monitoring the progress of Project implementation (including, procurement activities), consolidating project cost data, preparing the consolidated Project Reports, and implementing Part 5 of the Project.

(b) At the Project Participant level:

(i) the Project Participant Leading Group, led by the head of the county or district, as the case may be, responsible for facilitating the approval process of design, coordinating mobilization of counterpart funds, resolving issues encountered during Project implementation, overseeing project implementation, and engineering completion acceptance; and

(ii) the Project Implementing Unit established within District and County of each Project Participant, responsible for day-to-day implementation of Project activities within its jurisdiction.

**B. Anti-Corruption**

Chongqing shall carry out, and cause the Project Participants, Project Entities and Selected Education Institutions to carry out, the Project in accordance with the provisions of the Anti-Corruption Guidelines.

**C. Resettlement, Environment Protection and Dam Safety**

1. Chongqing shall:

(a) take, and shall cause the Project Participants and Project Entities to take, all necessary actions to minimize, to the extent possible, any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently, in carrying out the Project; and

(b) for this purpose:

(i) prior to the commencement of any works under the Project implement, and cause the relevant Project Participants and Project Entities to implement, the applicable RAP in a manner satisfactory to the Bank; and

(ii) whenever modification or finalization of any Project activity design or works would give rise to Displaced Persons, provide, and cause the Project Participant concerned and its Respective Project Entity to provide (before commencing said modified design or work), to the Bank for its review, a resettlement action plan prepared in accordance with the principles and procedures set forth in the Resettlement Policy Framework and, thereafter, implement in a manner satisfactory to the Bank such resettlement action plan as shall have been accepted by the Bank.

2. Chongqing shall, during the period of Project implementation, carry out, and shall cause each Project Participant and each Project Entity to carry out, the applicable EMP in a manner satisfactory to the Bank and designed to ensure that the Project is implemented in accordance with sound environmental practices and standards.

3. Chongqing shall, or shall cause the Project Participants and Project Entities to:

(a) appoint, and maintain until the completion of the Project, a dam safety expert to: (i) inspect and evaluate the safety status of the Project Dams their appurtenances, and performance history; (ii) review and evaluate the compliance of the Project Dams' operation and maintenance

procedures with the related national standards and the Bank's Dam Safety Policy; and (iii) provide written reports of findings and recommendations for any remedial work to ensure safety of the Project Dams;

- (b) provide all support and cooperation to the dam safety expert referred to in Section 3(a) above, necessary for his/her to carry out his/her functions in accordance with the expert's terms of reference; and
- (c) furnish to the Bank by March 15 of each calendar year, the report referred to in the preceding paragraph.

4. Chongqing shall, and shall cause the Project Participants and Project Entities to:

- (a) maintain policies and procedures adequate to enable them to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the relevant EMP and RAP and the Resettlement Policy Framework and the achievement of the objectives of said EMP, RAP and Resettlement Policy Framework, including the engagement of experienced and qualified independent monitoring agencies acceptable to the Bank; and
- (b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank by March 15 and September 15 of each year, commencing on March 15, 2011, semi-annual reports of the results of the monitoring and evaluation activities with respect to the relevant EMP and RAP and the Resettlement Policy Framework referred to in sub-paragraph (a) above, together with any revisions proposed to be introduced into said plans and framework in order to achieve their respective objectives.

5. Chongqing shall provide, and shall cause the Project Participants and their Respective Project Entity to provide, to the Bank for its prior concurrence any proposed modification or waiver of an EMP, a RAP or the Resettlement Policy Framework, and put into effect only such modification or waiver as shall have been agreed by the Bank.

**D. Financial Arrangements**

1. Chongqing shall allocate to each Project Participant a portion of the Loan under arrangements satisfactory to the Bank, which shall include, without limitation, the following principal terms:

- (a) Chongqing shall make available the principal amount, which has been allocated to each Project Participant, in Dollars (on the date, or respective dates, of withdrawal from the Loan Account) of the value of

the currency or currencies so withdrawn on account of the Project (in whole or part) to be implemented within the jurisdiction of the Project Participant.

- (b) Chongqing shall recover such principal amount so made available (including the fee paid pursuant to Section 2.03 of the Loan Agreement) over a period of twenty-five (25) years, inclusive of a grace period of six (6) years.
- (c) Chongqing shall charge interest on such principal amount, withdrawn and outstanding from time to time at a rate equal to the rate of interest applicable from time to time to the Loan pursuant to Section 2.04 of the Loan Agreement.

**E. Subsidiary Agreements**

1. Chongqing shall cause:

- (a) each of the following Project Participants to relend a portion of the proceeds of the Loan, which was allocated to it pursuant to Section I, paragraph D.1 of this Schedule, to its following Respective Project Entity for purposes of carrying out said Project Entity's Respective Parts of the Project, under a subsidiary loan agreement ("Subsidiary Loan Agreement") to be entered into between the Project Participant and its Respective Project Entity: (i) on the principal terms set forth in paragraphs 1 through 3 of Annex A to this Schedule; and (ii) under conditions which shall have been approved by the Bank, and which shall include, without limitation, those set forth in paragraphs 4 through 12 of the Annex A to this Schedule:
  - (A) Xiushan County and Xiushan County Yutong Township Water Supply Co. Ltd. for carrying out Parts 1 and 5 of the Project;
  - (B) Fengjie County and Fengjie Hongan Investment Co., Ltd. for carrying out Parts 1 and 5 of the Project;
  - (C) Shizhu County and Shizhu County Water Resources and Power Development Company for carrying out Parts 1 and 5 of the Project;
  - (D) Shizhu County and Shizhu County Vocational Education Center for carrying out Parts 3 and 5 of the Project;
  - (E) Yubei District and Chongqing Yubei District Vocational Education Center for carrying out Parts 3 and 5 of the Project;

- (F) Wushan County and Chongqing Wushan County Vocational Education Center for carrying out Parts 3 and 5 of the Project; and
  - (G) Chongqing Municipality and Chongqing Technology and Business University for carrying out Parts 3 and 5 of the Project.
- (b) each of the following Project Participants to enter into an agreement with its following Respective Project Entity (“Subsidiary Implementation Agreement”) to carry said Project Entity’s Respective Parts of the Project under conditions which shall have been approved by the Bank, and which shall include, without limitation, those set forth in paragraphs 4 through 12 of the Annex A to this Schedule:
- (A) Banan District and Chongqing Banan Road Construction Co., Ltd for carrying out Parts 1 and 5 of the Project;
  - (B) Xiushan County and Xiushan Huaxin Assets Management Co., Ltd. for carrying out Parts 1 and 5 of the Project;
  - (C) Tongliang County and Tongliang County Jinlong City Construction Investment Company for carrying out Parts 1 and 5 of the Project;
  - (D) Yongchuan District and Yongchuan Zhengxin State-owned Assets Management Co. Ltd for carrying out Parts 1 and 5 of the Project;
  - (E) Qijiang County and Chongqing Yunan Assets Operating Company Ltd. for carrying out Parts 2 and 5 of the Project;
  - (F) Chengkou County and Chengkou County Dingxing Agriculture Development Co., Ltd. for carrying out Parts 2 and 5 of the Project;
  - (G) Yubei District and Yubei District Hospital for carrying out Part 4 and 5 of the Project;
  - (H) Wanzhou District for carrying out Parts 3 and 5 of the Project; and
  - (I) Chongqing Health Bureau for carrying out Parts 4 and 5 of the Project.



2. Chongqing shall ensure that:
  - (a) each Project Participant:
    - (i) causes each of its Respective Project Entity to: (A) perform, in accordance with the provisions of the Subsidiary Agreement to which said Project Entity is a party, all of the obligations of said Project Entity therein set forth; (B) take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable said Project Entity to perform such obligations; and (C) not take or permit to be taken any action which would prevent or interfere with such performance; and
    - (ii) exercises its rights under each Subsidiary Agreement to which said Project Participant is a party in such manner as to protect the interests of the Borrower, the Bank, Chongqing and said Project Participant, and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, not assign, amend, abrogate or waive any Subsidiary Agreement to which said Project Participant is a party or any provision thereof.

## **Section II. Project Monitoring, Reporting, and Evaluation**

### **A. Project Reports**

1. Chongqing shall: (i) monitor and evaluate the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 5.08(b) of the General Conditions and on the basis of the indicators set forth in Annex B to this Schedule. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank by March 15 and September 15 each year, starting on March 15, 2011; and (ii) without limitation to the provisions of sub-paragraph (i) above, by no later than December 31, 2013 carry out a mid-term review of the Project, under terms of reference acceptable to the Bank.

### **B. Financial Management, Financial Reports and Audits**

1. Chongqing shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Project.
2. Chongqing shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently

applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of Chongqing. The audited financial statements for each period shall be furnished to the Borrower and the Bank not later than six (6) months after the end of the period.

**Section III. Procurement**

All goods, works and services required for the Project to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 2 to the Loan Agreement.

**Section IV. Other Undertakings**

1. Chongqing shall provide, or cause to provide, adequate funding for counterpart requirements, debt repayments, and operations and maintenance.
2. With respect to Part 4 of the Project:
  - (a) prior to delivery of equipment financed under the Project to any community-based health care clinic, Chongqing shall provide to the Bank evidence that such a clinic has been upgraded or constructed to meet municipal standards for operation of such equipment; and
  - (b) prior to the construction of any village clinics and urban institutions, Chongqing shall ensure and shall cause the relevant Project Participants to ensure that land required for such construction is donated on a voluntary basis.

**ANNEX A  
to  
SCHEDULE**

**Principal Terms and Conditions of the  
Subsidiary Agreements**

For the purposes of Section I, paragraph E.1(a) of the Schedule to this Agreement: (a) the terms of availability of the Loan proceeds shall be those set forth in paragraphs 1 through 3 of this Annex; and (b) the Subsidiary Loan Agreements shall be entered into on the conditions set forth in paragraphs 4 through 12 of this Annex. For purposes of Section I, paragraph E.1(b) of the Schedule to this Agreement, the Subsidiary Implementation Agreement shall be entered into on the conditions set forth in paragraphs 4 through 12 of this Annex.

**Terms of Availability**

1. The principal amount of each subsidiary loan made by a Project Participant to its Respective Project Entity, shall be the amount equivalent in Dollars (on the respective dates of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn on account of its Respective Project Entity's Respective Parts of the Project.
2. Each Respective Project Entity shall repay such principal amount (including the fee paid pursuant to Section 2.03 of the Loan Agreement) over a period of not more than twenty-five (25) years, inclusive of a grace period of six (6) years.
3. Each Respective Project Entity shall pay interest on the principal amount thereof withdrawn and outstanding from time to time at a rate not less than the rate of interest applicable from time to time to the Loan pursuant to Section 2.04 of the Loan Agreement.

**Conditions**

The Subsidiary Loan Agreements shall include the following principal conditions:

4. Each Project Entity shall undertake to: (a) carry out its Respective Parts of the Project with due diligence and efficiency and in accordance with appropriate management, financial, engineering, and operational and maintenance practices and the social and environmental standards of the Project (including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower) and provide, promptly as needed, the funds, facilities and other resources required for the purpose; and (b) without limitation on the foregoing, take all measures necessary to ensure that

its Respective Parts of the Project shall be implemented in accordance with the relevant RAP and EMP and the Resettlement Policy Framework.

5. Each Project Entity shall undertake to procure the goods, works and consultants' services to be financed out of the proceeds of the Loan in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement, and utilize such goods, works and consultants' services exclusively in the carrying out of its Respective Parts of the Project.
6. Each Project Entity shall undertake to enable the Bank, the Borrower, Chongqing and the Project Participant concerned to inspect such goods and the sites and works included in the Respective Parts of the Project, the operation thereof, and any relevant records and documents.
7. Each Project Entity shall undertake: (a) to take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with good business practice, including, without limitation, such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity there under to be made payable in a currency freely usable to replace or repair such goods; and (b) to properly operate and maintain all facilities relevant to its Respective Parts of the Project and, when needed, promptly make repairs and renewals of such facilities.
8. Each Project Entity shall undertake:
  - (a) to maintain records and accounts adequate to reflect the operations, resources and expenditures related to its Respective Parts of the Project;
  - (b) to have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank; and
  - (c) to have the records and accounts referred to in sub-paragraph 8(a) above audited in accordance with appropriate auditing principles consistently applied and by independent auditors, both acceptable to the Bank.
9. Each Project Entity shall undertake to furnish to the Bank as soon as available but in any case not later than six (6) months after the end of each Fiscal Year: (i) certified copies of said financial statements or records and accounts, as the case may be, for such year as so audited pursuant to sub-paragraph 8(b) above; and (ii) an opinion on such statements by said auditors in such scope and detail as the Bank shall have reasonably requested.

10. Each Project Entity shall undertake to prepare and furnish to the Bank, Chongqing, and the Project Participant concerned all such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Bank, Chongqing, and the Project Participant concerned shall reasonably request.
11. Each Project Entity shall undertake:
  - (i) to maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators set forth in Annex B of the Schedule to this Agreement, the carrying out of its Respective Parts of the Project and the achievement of the objectives thereof; and
  - (ii) to prepare, under terms of reference satisfactory to the Bank, and furnish to Chongqing for its review, consolidation in the Project Reports and submission to the Bank, semi-annual reports integrating the results of the monitoring and evaluation activities performed pursuant to clause (i) of this sub-paragraph on the progress achieved in the carrying out of its Respective Parts of the Project during the period preceding the date of each such report.
12. Each Project Participant shall have the right to suspend or terminate the right of its Project Entity to the use of the proceeds of the loan made available under the Subsidiary Loan Agreement with said Project Entity upon failure by such Project Entity to perform its obligations under the agreement.

**ANNEX B  
to  
SCHEDULE**

**Indicators**

<b>PDO</b>	<b>Project Outcome Indicators</b>	<b>Use of Project Outcome Information</b>
<p>Increase access of residents in participating districts and counties to improved basic public services (roads, water supply, primary health care, and vocational education).</p>	<p>Increased population with access to safe drinking water supply in targeted service areas</p> <p>Increased population with access to road transportation networks that reduce travel time to main urban county centers</p> <p>Increased share of outpatient case load at community level in total case load in targeted service areas</p> <p>Increased population with access to primary health care services at the community level in targeted service areas</p> <p>Increased number of trainees successfully completed the vocational training programs</p>	<p>Measuring extent to which project achieves main objectives of the project across the various components</p>
<b>Intermediate Outcomes</b>	<b>Intermediate Outcome Indicators</b>	<b>Use of Intermediate Outcome Monitoring</b>
<p>Counties' Roads and Water Supply Infrastructure</p>	<p>Increased number of kilometers of connector roads constructed between rural areas and main highway networks in targeted service areas.</p> <p>Increased volume of new water supply put into operation in participating counties.</p> <p>Increased residents connected to potable water supply in targeted service areas.</p>	<p>Measuring physical progress towards achieving project objectives</p>

<p>Township and Village Infrastructure Improvements</p>	<p>Increased number of villages with improved village-level infrastructure (secondary roads, sidewalks, community centers, sanitation systems, water pipes in targeted service areas).</p>	<p>Measuring progress of supporting improved basic infrastructure services in targeted rural areas</p>
<p>Migrant Training for Transfer and Employment</p>	<p>Number of instructors and school administrators trained</p>	<p>Measuring progress of improving training facilities and enhancing capacities of key personnel in participating training institutions</p>
<p>Community Health Care Services</p>	<p>Increased number of standardized community-level health care facilities put into operation in targeted service areas.</p> <p>Increased number of health workers trained in general practices and licensed in targeted service areas.</p>	<p>Measuring physical access of PHC services</p> <p>Measuring coverage and quality of training planned under the project</p>
<p>Project Management Strengthening</p>	<p>Evidence of satisfactory completion of facilities constructed and equipped under the project.</p>	

**Arrangements for results monitoring**

Project Outcome Indicators	Baseline 2010	Target Values						Data Collection and Reporting		
		2011	2012	2013	2014	2015	2016	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
Increased population (000) with access to safe drinking water supply in targeted service areas	0	0	0	93	100	106	112	Annual	Project Progress Report	CPMO
Increased population (000) with access to road transportation networks that reduce travel time to main urban county centers	0	0	0	148	181	243	306	“	“	“
Increased share (%) of outpatient case load at community level in total case load in targeted service areas	0	3	6	9	12	15	18	“	“	“
Increased population (000) with access to primary health care services at the community level in targeted service areas	0	56	112	168	224	280	336	“	“	“
Increased number of trainees (000) successfully completed the vocational training programs	0	0	2	4	7	10	13			



<b>Intermediate Outcome Indicators</b>										
Increased number of kilometers of connector roads constructed between rural areas and main highway networks in targeted service areas.	0	10	30	50	80	90	100.5	Annual	Project Progress Report	CPMO
Increased number and volume (m <sup>3</sup> ) of new water supply systems put into operation in participating counties.	0	1000	2000	5000	7000	10000	12800	“	“	“
Increased number of villages with improved village-level infrastructure (secondary roads, sidewalks, community centers, sanitation systems, water pipes) in targeted service areas..	0	0	1	2	3	5	5	“	“	“
Number of instructors and school administrators trained	0	50	217	260	300	350	416			

Increased number of standardized community-level health care facilities put into operation in targeted service areas.	0	50	100	320	500	600	734			
Increased number of health workers trained in target service areas.	0	100	500	1000	1200	1300	1360	“	“	“
Increased number of general practitioners trained and licensed in targeted service areas.	0	0	0	50	100	150	236	“	“	“

